

Message Text

SECRET

PAGE 01 KUWAIT 03020 171418Z

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S E C R E T KUWAIT 3020

EXDIS

JIDDA FOR SECRETARY SIMON

EO 11652: GDS

TAGS: ENRG, EFIN, KU

SUBJ: KUWAITI VIEWS IN ARAB OIL POLICY

REF: KUWAIT 3018

1. MINFINANCE AND OIL ATIQUI RECEIVED ME AT MY REQUEST JULY 17. I FOUND HIM LOADED FOR BEAR. ALTHOUGH I TOLD HIM MAIN PURPOSE MY CALL WAS TO ASCERTAIN WHETHER HE HAD ANY THOUGHTS ON USEFUL SUBJECTS FOR DISCUSSION WITH SECRETARY SIMON BESIDES BURNING ISSUES OF OIL PRICES AND PRODUCTION, ATIQUI IMMEDIATELY LEANED FORWARD AND SAID "WE WANT SECRETARY SIMON TO COME BECAUSE WE WANT TO TELL HIM HOW WE FEEL, IN FRIENDLY WAY BUT FRANKLY AND BLUNTLY. HE PROBABLY WON'T HEAR ANYTHING HE DOES NOT ALREADY KNOW BUT I WANT HIM TO HEAR IT FROM ME, FROM THE BOTTOM OF MY HEART".

2. ATIQUI THEN LAUNCHED INTO RAMBLING MONOLOGUE, ESSENTIAL POINTS OF WHICH SEEMED TO BE:

A. US PUSHING SAUDIS INTO AT LEAST EMBARRASSING AND POSSIBLY DANGEROUS POSITION BY PRESSING THEM TO REDUCE OIL PRICES AND INCREASE PRODUCTION. OPEC COUNTRIES OTHER THAN SAUDI ARABIA

SECRET

SECRET

PAGE 02 KUWAIT 03020 171418Z

HAVE "PLAN" TO REDUCE OIL PRODUCTION UP TO 4.5 MILLION BARRELS

PER DAY IF NECESSARY TO PRESERVE PRICES. IF ISSUE FORCED, END RESULT WOULD BE A STANDOFF, AND SAUDIS WOULD FIND THEMSELVES THE BIG LOSERS. OTHER OPEC COUNTRIES AND REST OF ARABS DO NOT ACCEPT PROPOSITION THAT PRESENT OIL PRICES ARE UNNATURALLY HIGH OR THAT THESE PRICES ARE ROOT OF ALL EVIL IN WORLD ECONOMIC PICTURE TODAY. MANY OTHER FACTORS ARE JUST AS, OR MORE IMPORTANT, AND ARABS NOT PREPARED TO BE THE SACRIFICIAL LAMB IN REDRESSING THESE DISEQUILIBRIA, MANY OF WHICH HAVE BEEN WITH THE WORLD FOR GENERATION AND MORE.

B. THERE IS A VERY STRONG LINKAGE IN THE ARAB MIND BETWEEN US EFFORTS TO OBTAIN LOWER OIL PRICES AND HIGHER PRODUCTION IN ARAB WORLD AND PARALLEL US EFFORTS TO KEEP ISRAEL STRONG THROUGH FINANCIAL AND MILITARY AID. IN EFFECT, QUESTION IS ASKED, ISN'T US TRYING FORCE ARABS TO PAY FOR STRENGTHENING THEIR ENEMIES? MOVEMENT TOWARD PEACE IN MIDEAST IS STILL NOT SUFFICIENT TO DIFFUSE THIS FEELING, AND SAUDIS ARE ESPECIALLY ON FIRING LINE ON THIS ONE.

C. US AND REST OF WESTERN WORLD SIMPLY HAVE YET NOT COME UP WITH ADEQUATE ANSWERS AS TO WHY ARABS SHOULD PRODUCE MORE OIL AND ACCUMULATE MORE LIQUIDITY THEN THEY NEED FOR THEIR OWN WELFARE AND ORDERLY DEVELOPMENT. AS OF TODAY THE RISKS OF LOSSES FROM DEVALUATION, UNECONOMIC INVESTMENT, POSSIBLE NATIONALIZATION OR SEQUESTRATION, ETC REMAIN GREATER THAN LEAVING EXCESS OIL IN THE GROUND.

3. WHEN ATIQUI SLOWED DOWN A LITTLE, I SAID IT WAS CLEAR THERE WAS MUCH FOR SECRETARY SIMON AND HIM TO TALK ABOUT.

PERHAPS ESPECIALLY FRUITFUL MIGHT BE TO EXPLORE WAYS VAST NEW FUNDS IN ARAB HANDS COULD MOST EFFECTIVELY BE USED IN THE ARAB -- AND THE WORLD'S -- BEST INTEREST. ATIQUI IMMEDIATELY REPLIED THAT HE FULLY AGREED. "NO ONE HAS DONE NEARLY ENOUGH WORK ON THAT PROBLEM YET", HE SAID. STOLTZFUS

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